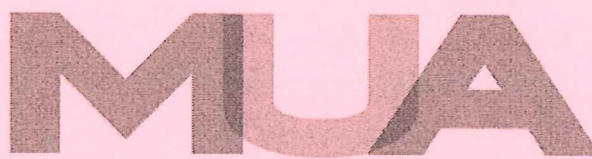


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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

**ACC 321: SPECIALIZED FINANCIAL ACCOUNTING**

**DATE: 31<sup>ST</sup> MARCH 2025**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

**QUESTION ONE**

- a) Richard Kamau an agent entered into a joint venture with Clifford Onyango, a plumber for the purchase and sub-division of a godown for sale. They agreed to share profits and losses in the ratio of 3/5 to Richard Kamau and 2/5 to Clifford Onyango. The following information relates to the transactions of the joint venture:

	Shs'000
Purchase of godown including legal fees	3,600
General expenses	40
Water expenses	30
Electricity expenses	60
Rent received from tenants after sub-division of godown	240
Amount received on sale of godown after sub-division less legal fee	6,400

**Transactions by Clifford**

Payment to contractors	1,600
Casual laborers wages	60
Proceeds from sale of scrap materials	100
Rent received from tenants before sub-division of godown	80

**Additional information**

- i. Richard Kamau had occupied part of the godown during the sub-division period at an agreed rent of Shs 45,000 which was omitted from his transaction summary.
- ii. Clifford Onyango had guaranteed a tenant who absconded before settling a debt of Shs 20,000. It was agreed that the loss would be borne by Clifford Onyango.
- iii. It was agreed that Richard Kamau would be paid Shs 100,000 for the service rendered while Clifford was to receive Shs 200,000 on account of plumbing service.

**Required:**

- i. Joint Venture account in the books of Clifford Onyango and Richard Kamau. (10 Marks)
  - ii. Memorandum Joint venture account (10 Marks)
- b) Evaluate five characteristics of a joint venture with jointly controlled operations. (5 Marks)

## QUESTION TWO

- a) Distinguish between long term investment and short-term investment. (5 Marks)
- b) On 1st April 2015, Mr. Karanja purchased 1,000 equity shares of Kshs. 100 each in TELCO Ltd. @ Kshs. 120 each from a Broker, who charged 2% brokerage. He incurred 50 paise per Kshs. 100 as cost of shares transfer stamps. On 31st January 2016 Bonus was declared in the ratio of 1: 2. Before and after the record date of bonus shares, the shares were quoted at Kshs 175 per share and Kshs. 90 per share respectively. On 31st march 2016 Mr. Karanja sold bonus shares to a Broker, who charged 2% brokerage.

### Required:

Prepare an Investment Account in the books of Mr. Karanja, who held the shares as Current assets and closing value of investments shall be made at Cost or Market value whichever is lower. (10 Marks)

**QUESTION THREE**

ABC Co. opened a branch at Kisumu. The following is the list of transactions between the Head office and the branch for the year ending March 31, 2017

	<b>Kshs.</b>
Stock at Branch on 1st April, 2016	1,500
Goods supplied to Branch during the year	24,000
Cash sent to Branch for	
- Salaries	1,200
- Rent	360
- Telephone expenses	100
- Petty Expenses	150
Stock on 31st March, 2022	1,250
Balance of Petty Cash	10

All the branch expenses are paid by Head office.

Required:

- i. Prepare journal entries for the transactions (10 Marks)
- ii. Branch Account in the Head office books. (5 Marks)

**QUESTION FOUR**

- a) Differentiate between a loyalty and a rent **(4 Marks)**
- b) A Brick Co., acquired on a 20 years lease, a large plot of land from Anoop for the purpose of geeing earth. The lease provides that:-
- i. A premium or Nazrana of Kshs. 10,000 is to be paid to the landlord on 1st Jan, 2021 when the period of the lease commenced; and
  - ii. An annual royalty of 20 paise per 100 cubic feet of earth taken out is to be paid to him subject to a minimum rent of Kshs. 2,000 per year, any shortworkings to be recouped out of future excess royalty. This annual royalty is to be paid on 31st Dec. each year.

The quantity of earth extracted by the lessee in 2021, 2022 and 2023 was 8,000,000; 9,000,000 and 12,000,000 cubic feet respectively

**Required:**

Enter these transactions in the ledger of the three years in the books of A Brick Co. **(11 Marks)**

**QUESTION FIVE**

- a) ABC Corporation acquired 1,000 shares of XYZ Ltd. at KES 150 per share. During the year, XYZ Ltd. paid a dividend of KES 5 per share. By the end of the year, the fair value of XYZ Ltd.'s shares had increased to KES 180 per share. Calculate the carrying amount of the investment in XYZ Ltd. at the end of the year **(5 Marks)**
- b) Examine Five special features of hire purchase agreements **(5 Marks)**
- c) DEF Ltd. initially acquired 500 bonds of GHI Corporation at KES 1,000 per bond. After holding the bonds for 3 years, DEF Ltd. decided to sell all the bonds at a market price of KES 1,200 per bond. During the holding period, DEF Ltd. received annual interest payments of KES 50 per bond. Calculate the total gain or **loss** on the disposal of the bonds, excluding the interest income. **(5 Marks)**

**QUESTION SIX**

- a) Define a consignment **(3 Marks)**
- b) Distinguish between a consignment and a sale **(7 Marks)**
- c) Distinguish between a loyalty and shortworkings **(5 Marks)**